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PM Outlines Pro-Investor Strategy

[¶1.](#) (U) On May 22, Prime Minister Guy Verhofstadt detailed his strategy to improve Belgium's investment climate over the past eight years, and his plans for the coming years in a talk to AmCham members. In addition to prudent macroeconomic fiscal management (balanced budgets, paying down the federal debt), Verhofstadt touted a reduction in the real corporate tax rate from 41% to 34%, introduction of the notional interest rate deduction, revision of Belgium's double tax treaty with the US in 2006, and a variety of measures to promote R&D. Future policy, he said, should focus on reducing the nominal corporate tax rate from 34% to under 30%, which would allow the real effective rate to decline to under 20% (competitive with some flat-tax EU venues). Another goal would be to further reduce personal income tax brackets from five to only two or three rates in the 25 to 50% range; the 55% top income bracket has already been dropped. According to Verhofstadt, reducing taxes paid by R&D personnel puts Belgium on the forefront of innovation, ensuring high-value job creation and investment. Questions from U.S. companies focused on improving education to produce the skilled personnel industry needs, and how to build Belgian entrepreneurial spirit.
(Note: Whether Verhofstadt will have a chance to pursue additional reforms depends on how his party fares in Belgian Federal Elections June 10. End note.)

[¶12.](#) (U) One program in which Verhofstadt has invested his personal effort is structuring Belgium to be the most competitive venue for pan-European pension fund headquarters. As cross-border, EU-wide business expands, EU-wide pension funds are growing rapidly, and Belgium wants to

capture this profitable business niche, offering a tax-free corporate status and easy establishment procedures. Belgium features strong financial services regulation, and is already home to major financial infrastructure players such as the Euronext stock exchange, Euroclear (bank clearing center), and SWIFT (the financial transactions router). Belgium presently hosts 267 private and public sector pension funds. In May, Verhofstadt co-hosted a seminar with Boston's State Street Bank lauding Belgium's virtues as a Pan-European Pension Fund management center. Netherlands is reportedly the leading competitor in this niche field.

Google Finds a Home in Belgium

¶3. (U) In mid-May, the world's leading internet search engine Google announced it will invest 250 million Euros (US\$340 million) in Saint-Ghislain in French-speaking Wallonia's Hainaut province. Google had been prospecting for a site for a major data center in Europe for nearly two years, and chose the Belgian venue over options in Sweden and France. The search engine giant found an 210-acre site with plenty of electricity and canal access for water to help keep all the Google computers cool in an environmentally friendly design. Walloon authorities had additional power lines brought in to guarantee 150 megawatts to the high-tech company. The Walloon regional government also offered 12 million Euros assistance to clinch the investment for Belgium. The new facility should create 120 positions during its initial phase, and Google claims it may eventually employ 500.

"I am Googled, therefore I am"

¶4. (U) The French language daily *La Libre Belgique* (circ. 46,900) reports that Belgian French-language newspapers are back on Google after agreeing that the search engine can link to their Web sites, signs of thaw in a bitter copyright dispute. Copiepresse, a group representing 17 Belgian newspapers including *Le Soir* and *La Libre Belgique*, accused Google of violating copyright, particularly through cached story links that allowed "googlers" to see older material without having to pay for access to publisher web archives. (See reftel for details.) Google has stated all along that it honors any and all requests by publishers to exclude their sites from this automated archival process. Nonetheless, in response to a February ruling by a Belgian court, Google removed all links to the Belgian papers. It appears Copiepresse thought the better of its complaint once commercial reality dawned. *La Libre* admits in its coverage that its internet site www.lalibre.be, lost 30 percent of its visitors after Google stopped linking to it.

International Visitor Grantees Bring Home Ideas

¶6. (U) Two newly returned International Visitor grantees were profiled in the leading Belgian business weekly Trends/Tendances May 10. The article about Rudy Aernoudt, Secretary General of Economics, Sciences & Innovation of the Flemish Government, and Karel Van Eetvelt, Managing Director of employers association UNIZO, highlighted five good ideas from the United States they believed Belgium should copy. These

ideas were: "401K" supplementary retirement plans to decrease the burden on government pensions; facilitating volunteer work by retired senior entrepreneurs who want to put their experience at the disposal of younger ones; encouraging public authorities to promote innovation by simplifying requirements that small companies/individuals need to fulfill to get government support and by purchasing innovative products; trade unions that impose training and aptitude tests for membership and become sought-after sources of workers (would require "a drastic change of mentality"); and promoting Belgium rather than its regions, similarly to how the USG promotes America as a whole, not individual States, overseas.

¶7. (U) While both men saw negatives in the American work place such as the cost of health insurance to entrepreneurs, they were favorably impressed by their American experience. Both remarked on the U.S. public administration positive view of entrepreneurs. "Entrepreneurs are considered heroes who create value added and should be helped, supported, and given advice," Van Eetvelt said. "It is quite different from Belgium, since according to a Delta Lloyd study, 63 percent of civil servants in Belgium have a negative opinion of entrepreneurs," Aernoudt added.

Baxter Pharma Invests in Wallonia

¶8. (U) U.S. pharmaceutical and healthcare product manufacturer Baxter announced plans to invest 83 million euros (US\$120 million) in new production facilities in southwestern Belgium. Products to be manufactured include human plasma transfusion products, such as immunoglobuline used in immune system therapies. The company, present in Belgium since 1954, has invested US\$ 136 million since 1996, and already produces at three sites and employs over 1700 persons. The new investment will add 150 more positions, and take four years to fully implement. Incentive aid totaling 7.35 million Euros (US\$10 million) from the Walloon regional government helped attract the investment.

Zero-Emissions Belgian Bus

¶9. (U) One of Europe's leading bus manufacturers, Van Hool of Lier, Belgium, near Antwerp, is now producing a zero-emission public transport vehicle ? with help from U.S. technology. The 43-foot hybrid electric bus uses a fuel cell power system from Connecticut-based United Technologies Corp. The experimental vehicle will be used by Belgium's largest transit system for six months before orders will be accepted from other transit systems for the vehicle. The bus can hold 104 passengers, rides on three axels, and produces practically no noise. Van Hool claims the vehicle is two times more fuel efficient than standard diesel-powered buses, which should appeal to European transit companies who confront the highest fuel prices in the world.